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February 12, 1999

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Ex Parte

FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF THE SECRETARY

Ms. Magalie Roman Salas
Secretary
Federal Communications Commission
The Portals
445 12th Street, SW
Washington, DC 20554

Re: CC Docket Nos. 96-262¹ & 94-1

Dear Ms. Salas:

Yesterday, Mr. F. Gumper and I, representing Bell Atlantic, met with Mr. K. Martin, Legal Advisor to Commissioner Furchtgott-Roth. The purpose of the meeting was to review Bell Atlantic's plan for access reform and pricing flexibility.

The attached charts were used as a basis for discussion during the meeting.

In accordance with Section 1.1206(a)(1) of the Commission's rules, an original and three copies of this notice are being submitted to the Secretary.

Sincerely,

A handwritten signature in cursive script, appearing to read "Susanne Guyer".

Susanne Guyer

cc: K. Martin

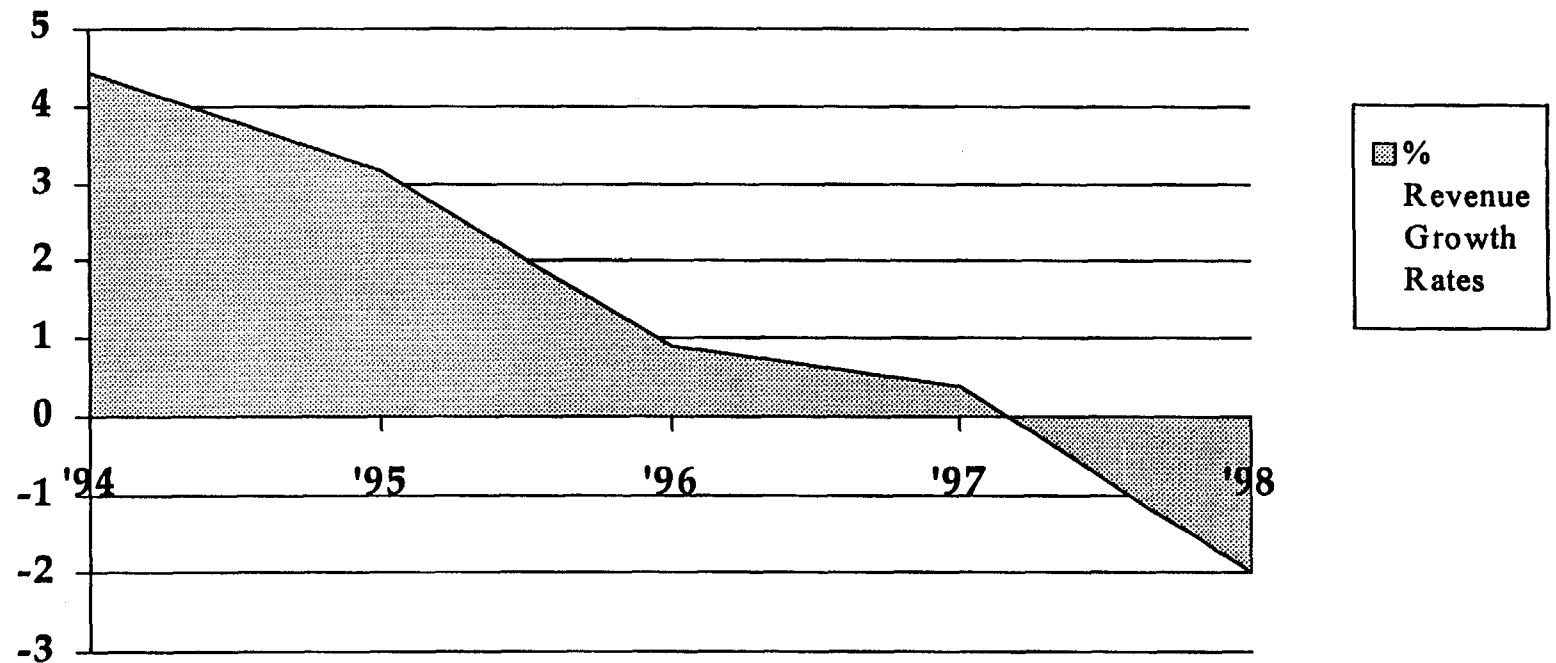
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ACCESS REFORM AND PRICING FLEXIBILITY

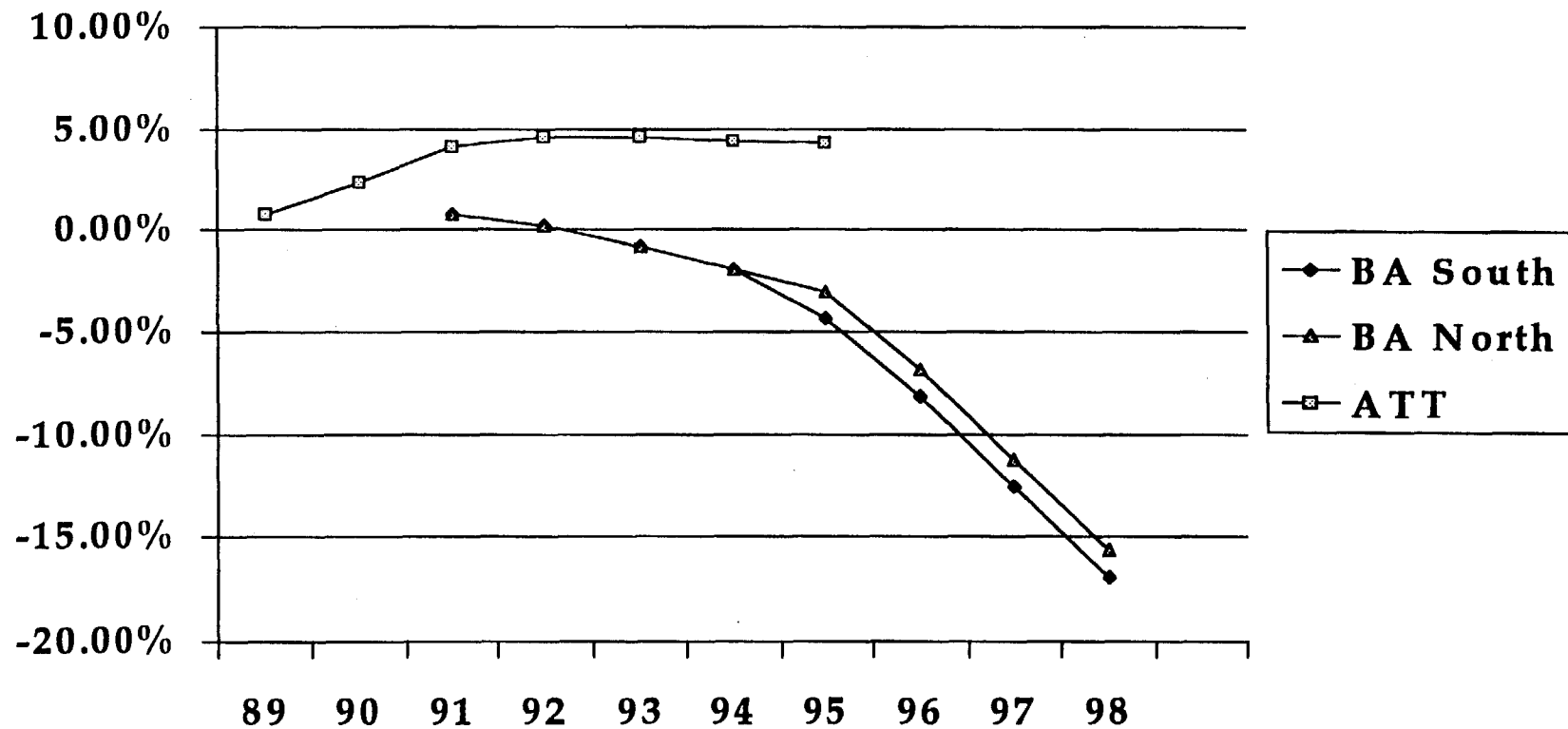


February 11, 1999

Interstate Access Revenues Growth Rate



Cumulative Net Price Cap Index Change (Inflation Minus X-Factor)



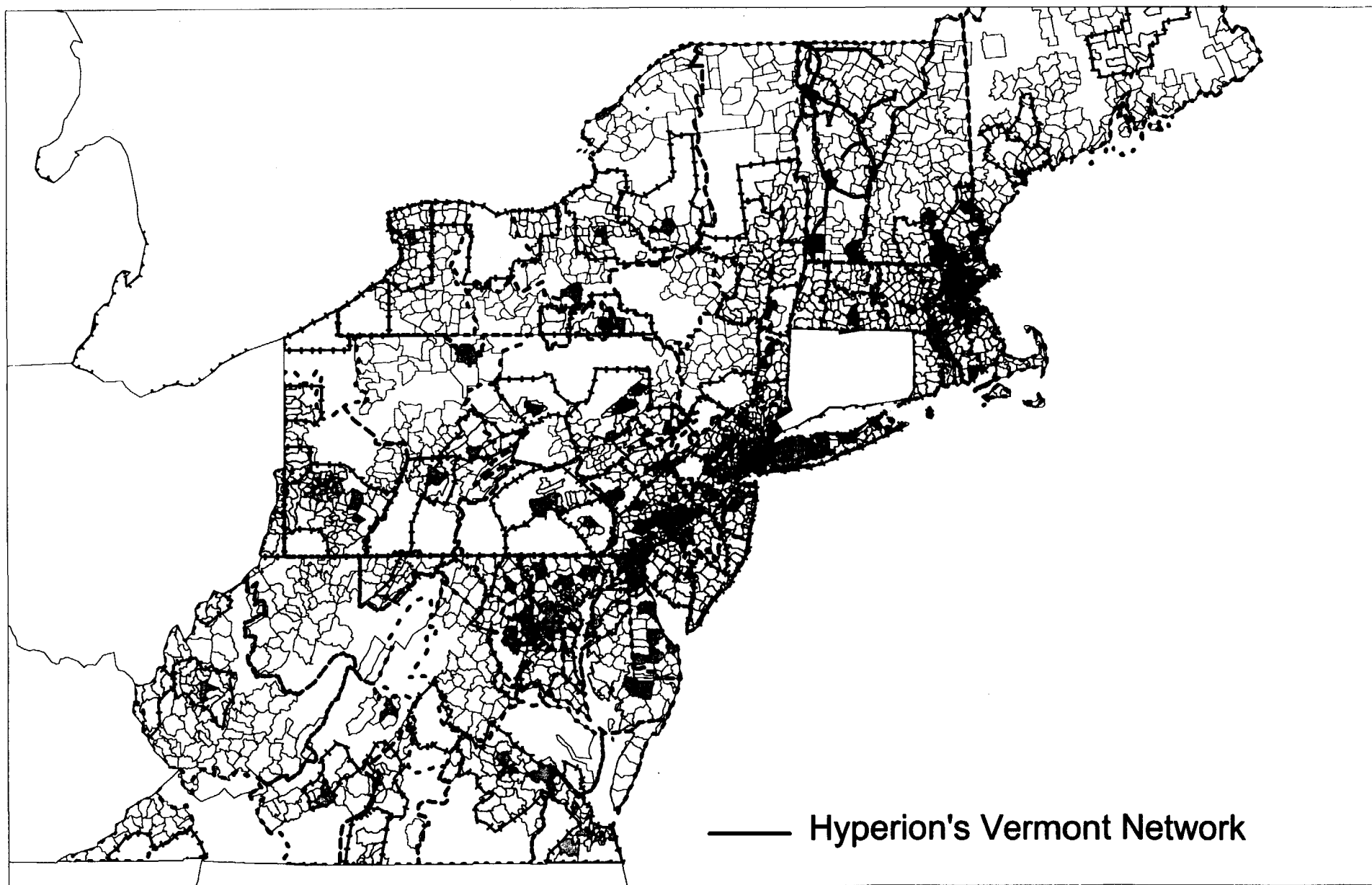
Bell Atlantic Pricing Flexibility Proposal

- Framework for decreasing regulation as competition increases
 - » Plan tied to level of competition in a given area
 - » Rates reduced more economically over time
 - » Criteria for price changes are -
 - explicit
 - measurable
 - verifiable

Pricing Flexibility Principles and Benefits

- An administratively simple process using objective, verifiable criteria is required
 - » With 163 LATAs in 50 states and multiple services offered in each, the FCC could be inundated with individual pricing flexibility requests
 - » Compounded if MSAs are used (320 MSAs)
- Bell Atlantic process will provide:
 - » a comprehensive framework for streamlined case-by-case resolution of requests, and
 - » reduced administrative burdens for both the FCC and applicants

Bell Atlantic Wire Centers, LATAs and MSAs



Collocated Wire Center

Wire Center

LATA

MSA

Proposed Process For Pricing Flexibility

- A three phase framework under which pricing flexibility increases with competition
- ILECs may seek flexibility for a service group by a self-defined market area no smaller than a LATA
 - » Competition will evolve differently for different services
 - Switched - multiline business vs. single line bus. & res.
 - Transport - Special Access, Direct Trunked Transport & Tandem Switched Transport
 - » The ILEC assumes the burden of proving the threshold for the criteria for the entire market area
 - larger areas require burden of showing for entire area
 - smaller areas require burden of multiple showings

Criteria For Pricing Flexibility

	Phase I Competitive Presence	Phase II Increased Competition	Phase III Substantial Competition
<i>Transport</i>	100 DSI – Equivalent colocated cross-connects state wide	Competition serves, or has access to, 25% of the market	Competition serves, or has access to, 75% of the market
<i>Switched Access</i>	<ul style="list-style-type: none"> • Interconnection Agreements • Interim number portability • 100 UNE* loops in Service 	Competition serves, or has access to, 25% of the market	Competition serves, or has access to, 75% of the market

Criteria For Transport Flexibility

Phase I 100 DS1 equivalent collocated cross connects -- State Wide

Phase II competitors have demonstrated the capability to provide service to **25%** of the market area

- **Step 1:** Classify wire centers (WCs) as competitive or non-competitive.
 - » **Special Access** competitive WCs are where a competitor has collocated facilities or its own facilities in the geographic area served by the WC
 - » **Switched Transport** competitive WCs are where a competitor has collocated facilities
- **Step 2:** Calculate the % of ILEC demand in competitive WCs to the total ILEC demand in the market area

Criteria For Transport Flexibility

Phase III

- » Competitors have demonstrated the capability to provide service to **75%** of market area
 - Use same steps as Phase II to determine that criteria are met

Bell Atlantic Petition for Forbearance

- Services

- » All interstate special access in Bell Atlantic service area with the exception of Maine and West Virginia

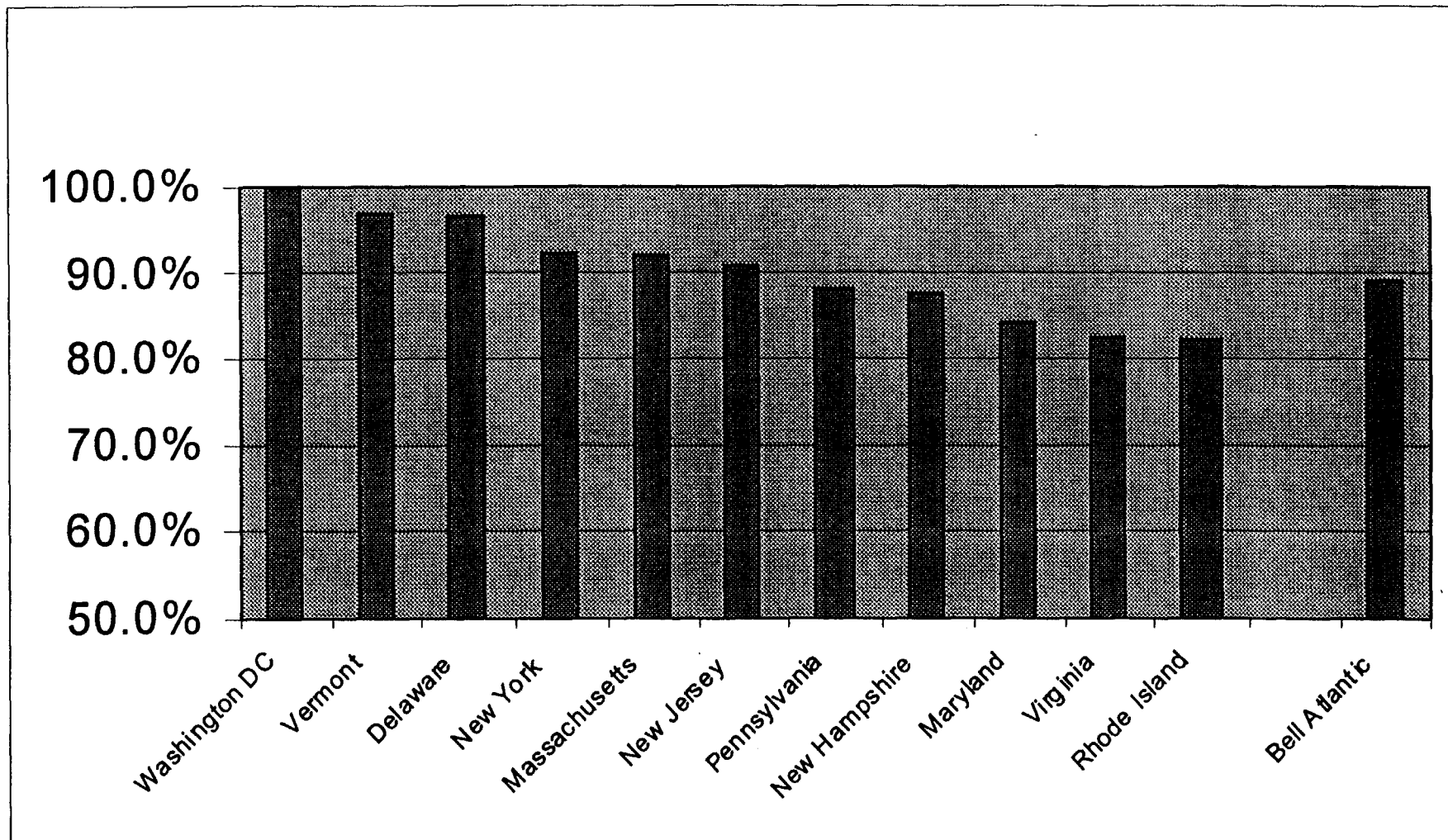
- Relief Sought

- » Freedom from FCC price regulation of special access services

- Criteria Met

- » Phase III- Fully Competitive
 - » Competitors serve or have access to 75% of market
 - » Removal of service from price regulation

Special Access Demand Serviceable by Competitors Through Collocation and Their Own Network Facilities

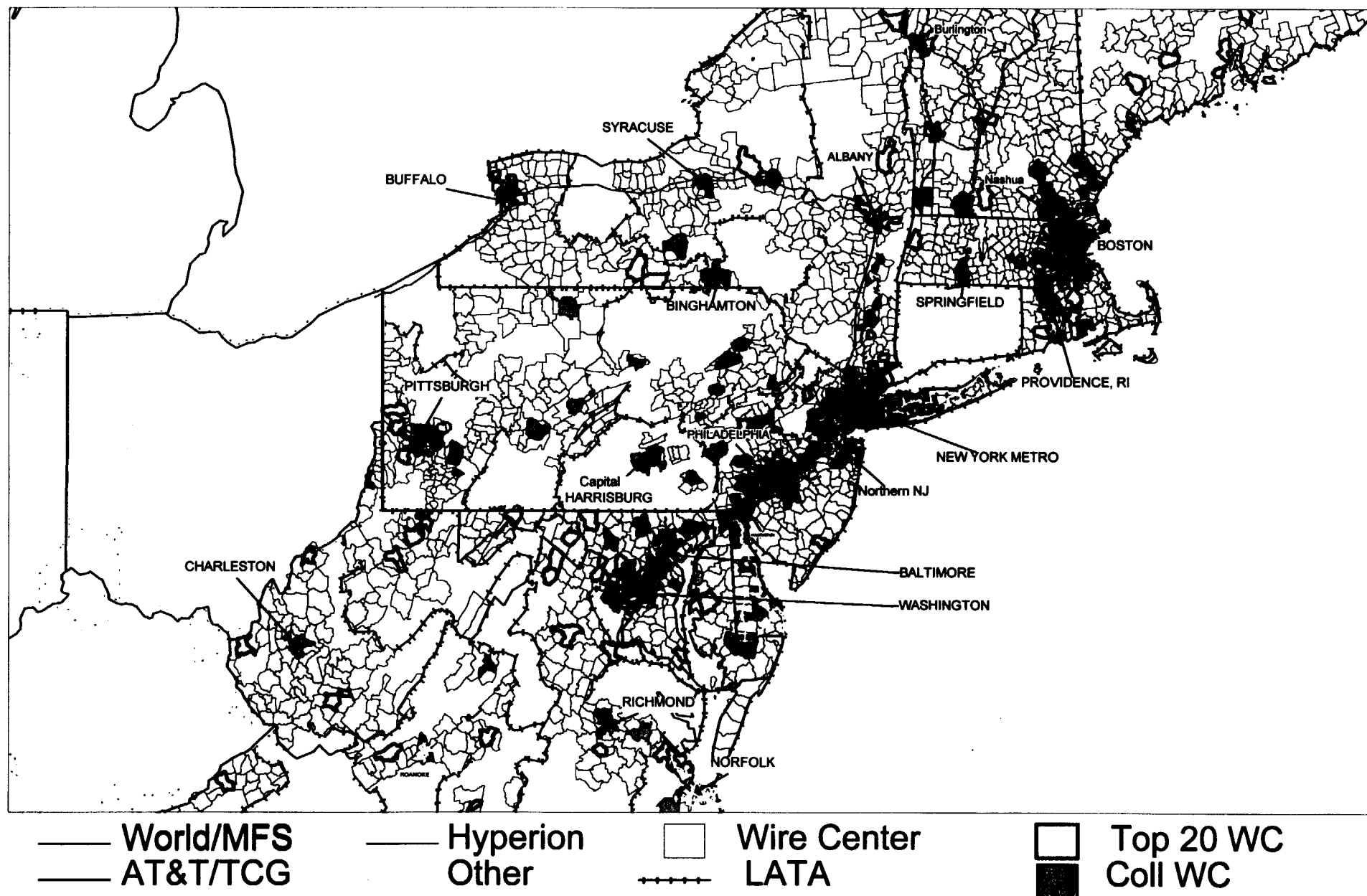


Interstate Special Access Customers are Large, Sophisticated Telecommunications Users

● Special access customer segments

– 3 Largest IXC's	53%
– Business	31%
– Other IXC & Cellular	14%
– <u>Federal Government</u>	<u>2%</u>
– Total	100%

Competitive Networks and Concentration of Special Access Demand



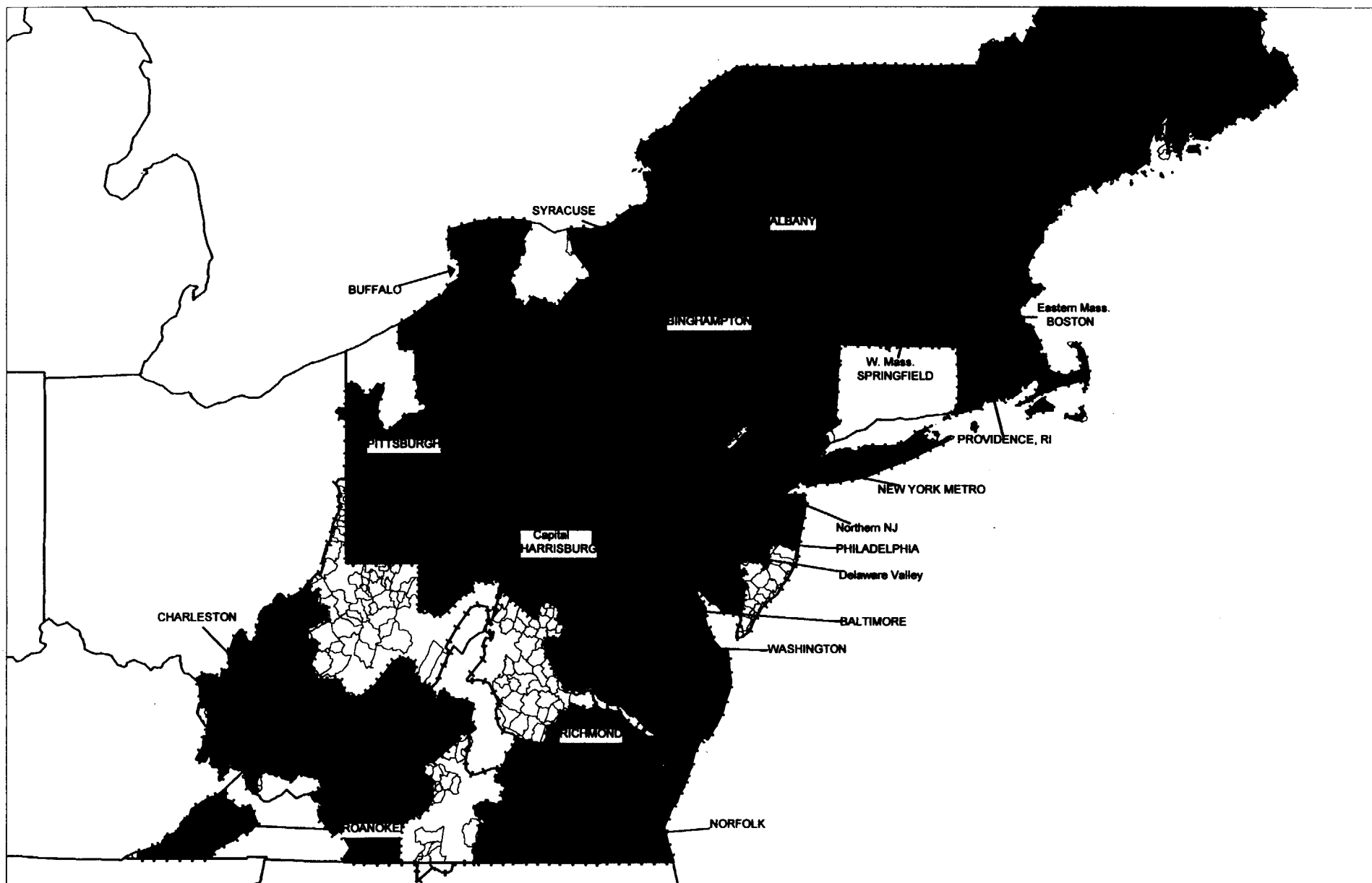
Bell Atlantic Already has Significant Statewide Pricing Flexibility in State Jurisdictions for Similar Private Line Services

<u>SERVICE DESCRIPTION</u>	<u>NJ</u>	<u>PA</u>	<u>DE</u>	<u>MD</u>	<u>VA</u>	<u>DC</u>	<u>WV</u>	<u>NY</u>	<u>ME</u>	<u>RI</u>	<u>MA</u>
High Capacity (1.544 MB & Above)											
Digital Data Service											
Metallic - Local Channels - 1000 Series - Telegraph											
Dedicated Voice Grade – Program Audio											
Frame Relay Service											
Switched 56 Kilobit											
Switched Multimegabit Data Service											
Dedicated Derived Channel 9000 Ser. All other											

Shading indicates where pricing and packaging flexibilities and broad customer specific pricing flexibilities for business services are permitted.

Notes: New Hampshire and Vermont are under rate of return regulation. Business services competitive reclassification filed for and pending in Pennsylvania.

Switched Transport



 LATA  Wire Center  Phase III  Phase II  Phase I, 0

Criteria For Switched Access Flexibility

Phase I -- State Wide

- » Negotiated or State approved agreements, statements or Tariffs for:
 - UNEs
 - Discounted resold services
 - Transport and termination of traffic
- » Interim number portability is available
- » 100 UNE loops are in service

Criteria For Switched Access Flexibility

Phase II -- Competitors have demonstrated the capability to provide service to **25%** of the market area

Step 1: Classify WCs as competitive or non-competitive

» Competitive WCs are

- where competitors have collocated facilities **and** have purchased UNEs by class of customer (MLB vs SL); **or**
- where competitors are providing service with UNEs, ported TNs or their own TNs in a WC serving area by class of service

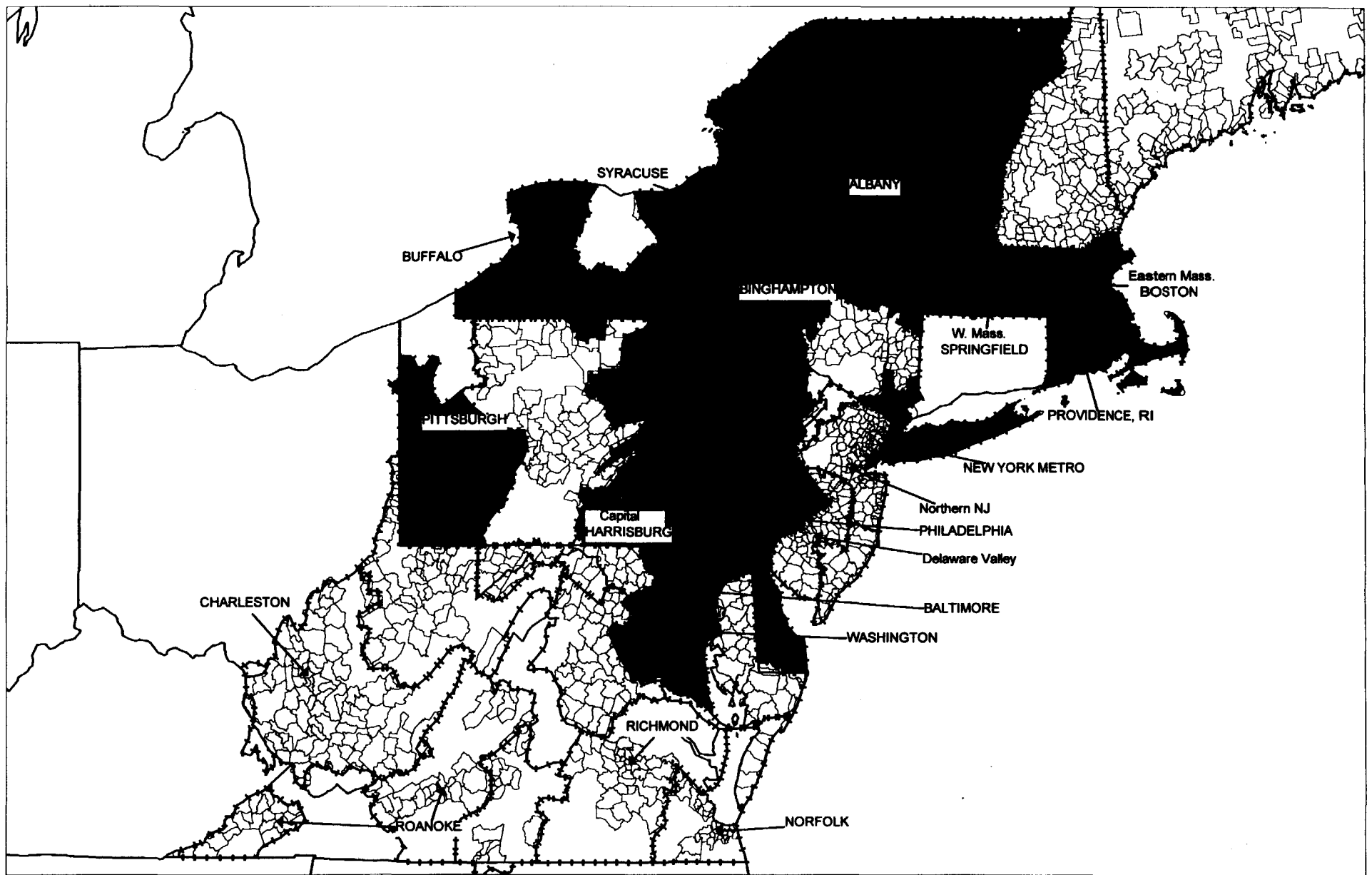
Step 2: Calculate the % of ILEC lines by residence and SL business, or ML business served in competitive WCs to the total ILEC lines by class of service served in the market area

Criteria For Switched Access Flexibility

Phase III

- » Competitors have demonstrated the capability to provide service to **75%** of market area
 - Use same steps as Phase II to determine that criteria are met

Multiline Business



 LATA

 Wire Center

 Phase III

 Phase II

 Phase I, 0

Residential and Single Line Business

